



DROP

Information

Presentation



DROP Session Agenda

- **DROP Eligibility** – *Who Qualifies, and When?*
- **DROP Summary Description** – *How Does DROP Work?*
- **Personal Benefit Calculation** – *How's My Pension Calculated?*
- **Retroactive DROP Entry** – *What Does it Look Like?*
- **Application Process** – *If I Am Eligible, What's Next?*
- **Important Dates, Deadlines, Scheduling** – *Handouts*

WHO QUALIFIES, AND WHEN?



DROP Eligibility Requirements

- **Active Member of CRS** – *currently employed*
- **CSA Employee Class** – *vested & employed on 7/1/2011*
- **Minimum of 30 years service credit**



HOW DOES DROP WORK?

What is DROP?

- Deferred Retirement Option Plan (*DROP*) is an optional plan for active members of CRS. **Participation is completely voluntary.**
- DROP allows participants the opportunity to accumulate a lump-sum for retirement **while continuing to work and collect a regular paycheck.**
- Your monthly pension benefit is calculated upon DROP Entry Date. Thus, **pension benefit amount is permanently locked in, years before your Retirement Effective Date.**
- Entry into DROP is irrevocable** and requires separation from employment within 5 years.

How Long Can I Participate?

- You may participate in DROP for a **maximum of 5 consecutive years** following your DROP Entry Date.
- **Employment with the City of Cincinnati cannot extend beyond 5 years** from your your DROP Entry Date for any reason.
- You may **terminate your employment** (*automatically terminating DROP participation*) any time prior to 5 year limit.
- You do not earn any **service credit** in CRS during DROP participation.

DROP Employment

- **You remain a City employee during participation in DROP.** Employee benefits and personnel policies still apply.
- **DROP participants continue to pay CRS contributions (*currently 9%*).** 75% of contributions are credited to your DROP account; 25% go to CRS Pension Trust.
- **You are not retired in DROP.** You are not eligible to receive retirement benefits, including retiree healthcare during participation in DROP.
- You are not eligible for CRS retiree healthcare until you terminate employment and retire.

Selecting Benefit Option

- You must choose your pension payment option, designate an Optionee (*if applicable*), and select a Beneficiary prior to DROP Entry Date.
- If you are married, you must designate your legally married spouse as your Optionee, unless a **Benefit Waiver** is submitted by your spouse.
- If you are not married, you may choose Single Life Option or designate an Optionee.
- Optionee and payment selections are irrevocable on/after DROP Entry Date.

Lump Sum Payment

- **DROP participants must cash out** *(or deposit into deferred comp)* accrued sick pay *(up to 1200 hours)*, comp time, and vacation time. Calculations are based on last whole pay period prior to DROP Entry Date.
- DROP participants **may keep any combination up to 40 hours of comp, sick, or vacation time.** Any sick time exceeding payout limit is retained on participant's personnel record for use during continued employment.
- DROP participants continue to accrue sick leave and vacation time.

DROP Account

- DROP account funds **accumulate tax free.**
- Each month, your DROP account is **credited with your monthly pension amount and 75% of employee contributions from your paycheck.**
- A variable interest rate is paid on DROP account balances quarterly. **Leaving DROP before 2 years, forfeits all accumulated interest.**
- Your DROP **account statement is mailed annually, and within 30 days of Retirement Effective Date.**
- City continues paying employer contributions to CRS Trust Fund. **Employer contributions are not credited to your DROP account and do not affect amount of monthly pension benefit.**

DROP & Deferred Comp

- During participation in DROP, you may contribute to City sponsored Deferred Compensation (*457 Plan*) programs.
- Deferred Compensation (*457 Plan*) funds are not available for distribution while you are participating in DROP.
- Annual contribution (*deferral*) limits are established by the U.S. Internal Revenue Service and published by Cincinnati Retirement System citywide.

DROP and COLAs

- DROP participants remain eligible for regular cost-of-living-adjustments (*COLAs*) provided by labor agreement.
- DROP participants do not qualify for Retiree COLAs during their DROP participation period.
- 3-year Retiree COLA Suspension Period begins after your Retirement Effective Date, first day of the month after leaving DROP.

Death During DROP

- DROP participation ends upon date of death.
- After all required documents are submitted to CRS, your Optionee (*if applicable*) begins receiving monthly pension benefit calculated upon your DROP Entry Date. Your Beneficiary receives DROP account balance.
- If you did not select an Optionee prior to your DROP Entry Date (*chose Single Life Pension*), your Beneficiary is paid the balance of your DROP account.
- Should you die before completing the 2 year minimum participation, all DROP interest is forfeited.

Leaving DROP

- Submitting required **CRS Retirement Application** still applies during **DROP**. You are not considered retired until this process is complete.
- Any remaining Comp/Sick/Vacation hours that, **when combined with hours previously paid upon DROP Entry do not exceed established limits**, are distributed to you after Retirement Effective Date.
- Monthly pension benefits, determined upon DROP Entry Date, are paid directly to you (*rather than to your DROP account*) beginning 1 month after Retirement Effective Date. **All pension benefits are paid 1 month in arrears.**

DROP Distribution

- Upon termination of DROP and start of Retirement, you begin receiving the **monthly pension benefit calculated on your DROP Entry Date.**
- Your DROP account balance can be paid as: **taxable lump sum, rollover to tax-qualified account (*such as IRA or 457 Deferred Compensation Plan*), or combination of the two.**
- If you do not request rollover to a qualified account, a check for total DROP balance is mailed to your home address on file. **The balance of your DROP account is paid within 120 days of Retirement Effective Date.**
- **A 1099R is issued for DROP account distributions (*in the year paid*).**

HOW'S MY PENSION CALCULATED?



Calculating Pension Benefit

- Your monthly pension benefit is based on: **service credit; average highest compensation (*up to day preceding DROP Entry Date*); and any actuarial adjustments** for your selected payment option.
- Monthly pension benefits are not re-calculated** to incorporate additional employment service and earnings on/after your DROP Entry Date.
- Gross monthly pension benefits are contributed to your DROP account in the CRS Pension Trust. **The monthly pension benefit is not payable to you until you have terminated your employment, completed all required documentation, and officially retired from service.**

WHAT DOES RETROACTIVE DROP LOOK LIKE?



Retroactive DROP Entry

- Members eligible for DROP from January 1, 2016 to March 1, 2017 have a **one-time window** (*from now until February 28, 2017*) to select a retroactive DROP Entry Date.
- After February 28, 2017, DROP applications are submitted for future DROP Entry Dates only.
- All DROP applicants shall adhere to the DROP Schedule issued by the Cincinnati Retirement System.

**IF I AM
ELIGIBLE,
WHAT'S
NEXT?**



DROP Application Process

1. Employee notifies supervisor of prospective DROP Entry Date.
2. Department HR Liaison requests verification of DROP eligibility from CRS.
3. Employee completes and signs DROP Enrollment Application.
4. Department Director also signs DROP Enrollment Application.
5. HR Liaison submits completed DROP Enrollment Application to CRS.
6. Upon approval, employee attends DROP Processing Session.

DROP Application Process

- After CRS receives your DROP Enrollment Application, **a packet of information is mailed to you** containing information about DROP Processing Sessions.
- You attend DROP Processing Session in the month prior to your **elected DROP Entry Date**. *(Find DROP Processing Session Schedule and DROP Application Deadlines, published online by CRS.)*
- At DROP Processing Session, you receive an **estimate of your monthly pension benefit based on proposed DROP Entry Date**.

Processing Session Documents

- Participant Birth Certificate
- Participant Social Security Card
- Participant Marriage License *(if applicable)*
- Participant Divorce Decree *(if applicable)*
- Optionee Birth Certificate *(if applicable)*
- Optionee Social Security Card *(if applicable)*

DROP Application Process

- Once you submit a signed DROP enrollment application, you have until 5:00 PM on the last business day of the month preceding your DROP Entry Date to rescind your participation in DROP.
- Request to rescind DROP application must be made in writing, signed by you, and received by the CRS Office prior to the deadline specified.

DROP Questions

Contact: HR Liaison

Email: Retirement@Cincinnati-OH.Gov

DROP Summary Plan Description

www.Cincinnati-OH.gov/Retirement